

Bench Date: June 6, 2001

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01-0467

CONSUMER SERVICES DIVISION STAFF REPORT

CHIEF CLERK'S OFFICE

May 29, 2001

SUBJECT: GTE Corporation/Bell Atlantic Corporation Federal Communications
Commission Merger Condition – Enhanced Lifeline Plans

Capsule Summary

On October 29, 1999, the Illinois Commerce Commission ("Commission") entered an order in Docket No. 98-0866, approving the corporate reorganization of GTE Corporation ("GTE") and Bell Atlantic Corporation ("BA"). On June 16, 2000, an order approving the merger was entered by the Federal Communications Commission (FCC 00-221), and on June 30, 2000, the merger was consummated. After the consummation of the merger, GTE changed the company's name to Verizon North, Inc. and Verizon South, Inc. ("Verizon")

Background

As a part of the merger negotiations at the Federal Communications Commission ("FCC") Verizon offered to implement an Enhanced Lifeline Plan. See FCC 00-221, "Conditions for Bell Atlantic/GTE Merger" at page 60. The FCC imposed a merger condition that requires the company to offer, within 30 days of the merger closing date, to state commissions in the Verizon service territory an enhanced lifeline plan (Attachment A of this Staff Report). Consistent with applicable state law, the terms and conditions offered by Verizon for the Enhanced Lifeline Plan shall be comparable to the terms and conditions of the Ohio Universal Service Assistance Lifeline plan set forth in Ameritech's Ohio Alternative Regulation Plan, as in effect on January 27, 2000, in the areas of subscriber eligibility, discounts, and eligible services. Under the Merger Order, the Company may elect to 1) propose a new, stand-alone Lifeline Plan that meets the requirements of the merger condition; 2) propose to provide additional discounts and/or other enhancements to an existing Lifeline plan which, when combined with the Lifeline benefits provided by the existing plan, meets the requirements of the merger condition or 3) certifying that the existing Lifeline plan (or plans) meet the requirements of the merger condition. State commissions are not required to accept the enhanced Lifeline Plan offered by Verizon

Verizon offered this Commission a stand-alone lifeline plan that offers terms and conditions regarding discounts, subscriber eligibility, and eligible services comparable to the Ohio USA Lifeline Plan, as set forth in Ameritech Ohio's Alternative Regulation Plan, as in effect on January 27, 2000. (See Attachment B.) Verizon also stated that if the Commission chooses to accept the offer, subject to any required regulatory and leg-

islative approvals, would replace the current Lifeline Telephone Assistance Program, rather than supplement the existing Lifeline Plan.

Verizon's representatives informed Staff that Delaware has accepted Verizon's offer of an Enhanced Lifeline Plan. The other states are still evaluating the plan.

Illinois' Lifeline Plan

Illinois' current Lifeline Plan provides \$1.50 - \$10.20 in assistance towards a customer's monthly charges for local telephone service. The Universal Telephone Service Assistance Program (UTSAP) pays \$1.50 towards the Lifeline program and the remainder is federally and company funded. If the qualifying low-income consumer voluntarily elects toll blocking while initiating Lifeline service, a service deposit is not required. If toll blocking is unavailable, the carrier may charge a service deposit. Eligible recipients of Illinois Lifeline Program include persons who qualify to receive assistance under any of the following programs: Medicaid, Food Stamps, Supplemental Security Income, Federal Public Housing, and Low Income Home Energy Assistance Program. Illinois' program is supported by voluntary contributions made by Illinois subscribers.

B. Verizon's Enhanced Lifeline Offering

Verizon's Enhanced Lifeline Plan offering will replace Verizon's existing lifeline plan and not result in any increase in the number of eligible consumers, but will provide additional funds and benefits to eligible consumers. This is in contrast to Ameritech's Enhanced Lifeline Plan, which provided eligible customers with an additional option to elect a plan that pays more toward the monthly service, but also has more restrictions; or a plan that pays less towards monthly service, but has fewer restrictions.

Eligibility Criteria. Customers eligible to receive assistance under Home Energy Assistance (HEAP), State or Municipality Funded Energy Credit Program (ECP), Aid for Dependent Children (AFDC), Food Stamps, Supplemental Security Income (SSI), State or Municipality Funded Disability Assistance, Medicaid, and Federal Public Housing, would be eligible for Enhanced Lifeline under Verizon's proposal.

Discounts. Under the terms of the federal Merger Agreement, Verizon will provide a monthly discount equal to the price of basic residential measured rate service (i.e., access to the network not including any local usage). Verizon's proposal has added the Federal Subscriber Line Charge to the discount. The FCC Order also provides that the maximum discount to be provided, including all applicable federal, state and company contributions, is \$10.20 per month. Verizon's proposal has added that no customer's charge can be reduced below zero. Verizon offered toll restrictions, call trace and automatic blocking of 900 and 976 calls for free. Verizon's proposal states that service connection charges over \$5 are waived. The FCC ordered that new enhanced Lifeline plan customers will not be required to pay a deposit for local service,

but may requested a deposit for toll service, unless the customer elects toll restriction service.

Eligible Services. Verizon proposed eligible services as residence flat rate, measured rate and message rate services, and toll services. A consumer may not purchase optional/vertical services, unless medically necessary. Verizon also restricted its proposal to households with a single access line.

Operational Characteristics. Verizon proposed that the Enhanced Lifeline Plan will be in effect for 36 months. Under the Enhanced Lifeline Plan, Verizon will permit customers to enter into payment arrangements on past due local service bills. Under such an arrangement, the customer must make an initial payment not exceed \$25, before service is installed, with the balance to be paid in 6 equal monthly installments. Toll restrictions are required for Enhanced Lifeline customers with past due toll bills, until outstanding toll bills are paid in full.

The federal Merger Agreement is required to provide prospective Enhanced Lifeline Plan customers with a written form that will permit the customer to self-verify eligibility through participation in one or more of the qualifying programs. Verizon has the right to audit any self-verifications and, subject to such audit, to refuse Enhanced Lifeline Service to any customers who is not a current participant in one of the eligible programs. Verizon is required to provide a supply of the self-verification forms to state agencies administering qualifying programs, so that these agencies may make the forms available to their clients.

The federal Merger Agreement is also required to negotiate in good faith with the appropriate state agencies administering qualifying programs to acquire on-line access to agencies' electronic databases for the purpose of accessing the information necessary to verify a customer's participation in an eligible program. If Verizon is able to negotiate reasonable terms and conditions that permit efficient access to the information, Verizon will provide on-line verification of eligibility for a customer claiming to be a current participant in one of the eligible programs.

Verizon agreed to spend at least \$27,000 annually in Illinois to make eligible customers aware of the enhanced Lifeline Plan or other programs that benefit low-income consumers. Verizon will also provide toll free telephone and fax numbers for current and potential Lifeline inquiries and receipt of documentation, as well as a Lifeline message on voice response units, where it is technically possible to do so, used by customers seeking installation of new service. Further, Verizon will undertake to convert existing Lifeline customers to Enhanced Lifeline, where the latter offers a larger discount and no worse terms and conditions within 180 days of implementing the Enhanced Lifeline plan. The obligations contained in the FCC's Order shall not take effect until and unless the Enhanced Lifeline tariffs are accepted and approved by the Commission.

C. Staff Analysis and Recommendation

Eligibility Criteria. The eligibility criteria set forth by Verizon in its proposal differ from the current eligibility criteria defined in 83 Ill. Adm. Code 757 ("Part 757"). Likewise, Staff is not certain that some of the eligibility programs named by Verizon exist in Illinois or are only specific to Ohio.

Discounts. Attached is a chart (Attachment C) illustrating the Verizon's rates, discounts currently being offer in Illinois and the proposed rates pursuant to the Enhanced Lifeline Plan. Verizon has qualified the cap on the monthly amount, so that no customer's charge can be reduced below zero. Verizon's proposal states that service connection charges over \$5 are waived. This is non-compliant with Part 757, which waives 100% of service connection charges up to \$60. The federal order and Verizon's proposal specifically waives deposits for local service, but allows deposits for toll service, if the customer does not select toll restriction. Part 757 allows for the collection of a service deposit, if the eligible customer does not elect to have toll blocking.

Eligible Services. Verizon's proposal includes Residence Flat Rate, Measured Rate, and Message Rate Services and Toll Services. No optional services (e.g., wire maintenance plans, toll plans and other vertical services) unless medically necessary. Illinois' rules are silent regarding the prohibition of eligible customers from electing optional/vertical services. Verizon also has restricted the lifeline plan to households with a single access line. Part 757 is silent regarding lifeline assistance to households with a single access line, however, pursuant to Part 757, Link-Up assistance is available only for service to the customer's principal residence.

Operational Characteristics. Verizon has placed a limit of 36 months in its proposal for an Enhanced Lifeline Plan. Unlike Ameritech's federal Merger Order, Verizon's federal Merger Order did not specify a time limit for the offering. The time limit is also important, because Verizon's proposal defines an annual promotional budget, of \$27,000, which Staff believes that the Company would also limit to 36 months.

The Enhanced Lifeline Plan formalizes payment arrangement options on past due local service bills. In Staff's opinion, past due bills are a major factor, and perhaps the major factor, preventing consumers from enrolling in Lifeline and Link Up programs, however, Part 757 is silent in response to payment arrangement for past due bills. Under existing rules, toll restrictions are not currently mandatory for consumers who have outstanding toll bills. Such restriction, however, may provide such consumers with some control of their toll bills. While Verizon will waive deposits for new Lifeline customers, it can require deposits for toll service at its discretion, unless the customer elects toll restriction service.

It is important to note that, as 9-1-1 service has not been implemented statewide, such toll restriction could prevent customers from contacting emergency services. In

response to public safety concern, Verizon has confirmed that toll restrictions will not be implemented in areas where 9-1-1 or E9-1-1 service is unavailable.

Additionally, under the Enhanced Lifeline requirement, Verizon must distribute a supply of the self-verification forms to state agencies administering qualifying programs for distribution to their clientele. Verizon is required to negotiate in good faith with the appropriate state agencies administering qualifying programs to acquire on-line access to agencies' on-line databases. Verizon currently has on-line verification with the Illinois Department of Human Services, to verify food stamp and Medicaid eligibility; customers eligible for these two programs are believed to constitute over 90% of potential Lifeline recipients. However, it has been several years since on-line verification for LIHEAP eligibility was first discussed with the Department of Commerce and Community Affairs ("DCCA").

Budget for Outreach. Verizon agrees to spend at least \$27,000 annually in Illinois to make eligible customers aware of the availability of the Enhanced Lifeline or other programs beneficial to low income consumers. If the Commission chooses to accept Verizon's proposal, Staff is of the opinion that Verizon should use this money to conduct outreach programs to "market" Enhanced Lifeline and currently Lifeline and Link Up programs in communities likely to have numerous eligible customers, rather than utilizing bill inserts or other relatively more passive types of programs. Staff believes that for any awareness program to be truly effective, Verizon should work with local community leaders, and participate in community events in areas where company representatives can talk to and enroll people into the programs. In the past, Verizon has worked with UTAC in distributing posters and bill inserts, and has placed articles in newsletters, and issued press releases. However, these publicity efforts do not appear to reach substantial numbers of people who are eligible for Lifeline and Link-Up programs. Staff believes that this is one reason why a relatively modest percentage of eligible customers have, to date, participated in these programs.

Conversion of Existing Customers. As part of the offering, Verizon states that it will convert existing Lifeline customers where the enhanced Lifeline offers a larger discount and no worse terms and conditions. Verizon will review its existing Lifeline accounts for customers that do not subscribe to any vertical services and automatically upgrade that person to the Enhanced Lifeline, within 180 days of implementation of the new plan.

Telephone Penetration. At the July 2000 NARUC meeting, a paper was presented by Carol Weinhaus, the Director, of Telecommunications Industries Analysis Project, entitled, "Closing the Gap: Universal Service for Low-Income Households." Ms. Weinhaus's research ranks Illinois as having the 7th lowest level of telephone penetration among the fifty states, with only Louisiana, Alabama, Oklahoma, New Mexico, Arkansas and Mississippi ranking lower. Additionally, Ms. Weinhaus's report states the only 18% of Illinois consumers who are eligible for Lifeline and Link Up are participating

in the programs. The most recent FCC Penetration Report depicts an increase in Illinois' penetration rate from 91.2% in March 2000 to 93.0% in March 2001.

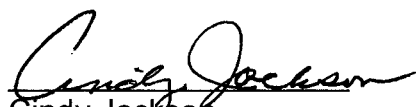
Staff Recommendation. Verizon's proposal offered to the Commission is a stand-alone lifeline plan that would replace the current lifeline plan. Staff cannot recommend that the Commission accept Verizon's offer to implement an Enhanced Lifeline Plan for the following reasons: first, Verizon's proposal, does not supplement, but rather entirely replaces its existing lifeline plan; and second, the proposal has components which appear to be inconsistent with Part 757. Part 757 does not contain any provisions for variance from the rules. Staff requested that Verizon amend its proposal to an optional plan, similar to Ameritech's offering; however, Verizon has declined to do so. In response, Verizon proposed to file a tariff that would comply with Part 757; however, the tariff contradicts the Company's proposal letter. If Verizon files a tariff that complies with Part 757, the only consumer benefit will be the increase in the lifeline amount from \$8.35 to \$10.20.

Staff's role as the Staff Liaison to the Universal Telephone Assistance Program is to serve as contact person, advisor, and monitor of the Universal Telephone Service Assistance Program Administrator and low-income residential customers. It is not Staff's role to make arbitrary decisions about the terms and conditions of the program, in the absence of Universal Telephone Assistance Corporation ("UTAC") Board of Directors. The terms and conditions that were identified as being silent in Part 757, are important aspects of the program that should to be addressed by the Board of Directors and possibly the entire membership. This is not to say that Staff does not have an opinion, Staff does, however, that opinion may not be the opinion of UTAC or its membership. Staff believes the Enhanced Lifeline program, as proposed by Verizon ought to be offered to customers as an optional offering, as it has the potential to improve telephone penetration in Illinois, and to materially aid eligible customers.

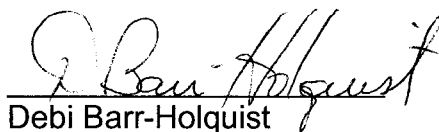
In its haste to put together a proposal to offer to all of its states, Verizon did not contemplate that a blanket offering would not be conducive to all states, especially Illinois. Staff wants to accept Verizon's Enhanced Lifeline proposal, but cannot endorse violating Commission rules.

Submitted by:

Reviewed and approved



Cindy Jackson
Staff Liaison
Consumer Services Division



Debi Barr-Holquist
Manager
Consumer Services Division

XIV. Enhanced Lifeline Plans

50. Not later than 30 days after the Merger Closing Date, Bell Atlantic/GTE shall offer by letter to the appropriate state commission in the Bell Atlantic and GTE States to file a tariff for an enhanced Lifeline plan in the Bell Atlantic/GTE Service Area within that state. Bell Atlantic/GTE may fulfill this requirement in a state by either (i) proposing a new, stand-alone Lifeline plan that meets the requirements of this Paragraph, (ii) proposing to provide additional discounts and/or other enhancements to an existing Lifeline plan in a state which, when combined with the Lifeline benefits provided by the existing plan, meet the requirements of this Paragraph, or (iii) certifying that the existing Lifeline plan (or plans) meets the requirements of this Paragraph. No state shall be required to accept the enhanced Lifeline plan that will be offered by Bell Atlantic/GTE. Copies of Bell Atlantic/GTE's written offers shall be filed with the Secretary of the Commission. Consistent with applicable state law, the terms and conditions offered by Bell Atlantic/GTE shall be comparable to the terms and conditions of the Ohio Universal Service Assistance ("USA") Lifeline plan set forth in Ameritech Ohio's Alternative Regulation Plan, as in effect on January 27, 2000, in the areas of subscriber eligibility, discounts, and eligible services. See Opinion and Order, Application of the Ohio Bell Tel. Co. for Approval of an Alternative Form of Regulation, Case No. 93-487-TP-ALT, 1994 Ohio PUC LEXIS 956 (Nov. 23, 1994), as modified to be consistent with the 1996 Telecommunications Reform Act and other modifications and interpretations by the Public Utilities Commission of Ohio, as in effect on January 27, 2000, in the areas of subscriber eligibility, discounts, and eligible services. Specifically, with respect to discounts, Bell Atlantic/GTE will provide a discount equal to the price of basic residential measured rate service (i.e., access to the network not including any local usage) in each state; provided, however, that the maximum discount to be provided (including all applicable Federal, state and Company contributions) shall not exceed \$10.20 per month. For example, if the current Lifeline discount in a state is \$8.00 per month, Bell Atlantic/GTE will increase that discount by a maximum of \$2.20 per month for those Lifeline customers that meet all of the qualifications in this Paragraph. This Paragraph is not intended to supersede or eliminate state or federal funding for existing Lifeline programs. Where, for a particular state, Bell Atlantic/GTE does not offer a basic measured rate service that does not include any local usage, to determine the amount of the discount, Bell Atlantic/GTE will determine an estimated price for such a service as a percentage (based on underlying costs) of the most basic service that is offered. If the state commission indicates its acceptance of Bell Atlantic/GTE's offer within 12 months of Bell Atlantic/GTE's written offer, Bell Atlantic/GTE shall file a tariff to implement its offer within 60 days of such acceptance. Bell Atlantic/GTE shall offer to provide such enhanced Lifeline plans with the following operational characteristics:

a. Past-Due Bills. Enhanced Lifeline plan customers with past-due bills for local service charges will be offered payment arrangements for such local service charges with an initial payment not to exceed \$25.00 before service is installed and with the balance to be paid in 6 equal monthly payments. Enhanced Lifeline plan customers with past-due bills for toll service charges will be required to have toll restriction service until such past-due toll service charges have been paid.

b. Deposits. New enhanced Lifeline plan customers will not be required to pay a deposit to obtain local service. Bell Atlantic/GTE may request a deposit for toll service unless the customer elects toll restriction service.

c. Verification of Eligibility. Bell Atlantic/GTE will provide prospective enhanced Lifeline plan customers with a written form⁸⁸ that will permit the customer to self-verify eligibility through participation in one or more of the qualifying programs. Bell Atlantic/GTE will have the right to audit any such self-verifications and to refuse enhanced Lifeline service to any customer that is not a current participant in one of the eligible programs. Bell Atlantic/GTE will provide quantities of such written forms to state agencies administering qualifying programs so that these agencies, if they choose, can make these forms available to their clients.

d. On-Line Verification of Eligibility. Bell Atlantic/GTE will negotiate in good faith with appropriate state agencies administering qualifying programs to acquire on-line access to the agencies' electronic databases for the purpose of accessing the information necessary to verify a customer's participation in an eligible program. Where such on-line access can be negotiated on reasonable terms and conditions that permit Bell Atlantic/GTE to access such information efficiently, Bell Atlantic/GTE will provide on-line verification of eligibility for a customer claiming (during a discussion with a Bell Atlantic/GTE service representative) to be a current participant in one of the eligible programs.

e. Publicity. Bell Atlantic/GTE will agree to spend no less than an annual promotional budget to make potential customers aware of the enhanced Lifeline plan or other programs that benefit low income consumers. The annual promotional budget for each state (shown in Attachment G) is calculated to be proportional (based on the relative number of residence access lines that Bell Atlantic/GTE has in service in each state) to the \$122,000 annual promotional budget established as part of the USA Lifeline Plan in Ohio.

f. Toll-Free Number for Lifeline Inquiries. Bell Atlantic/GTE will provide a toll-free telephone number (e.g., an 800 number) for current and potential enhanced Lifeline plan customers to call for subscribing to, or otherwise requesting information or assistance about, the enhanced Lifeline plan.⁸⁹

g. Toll-Free Fax Line for Receiving Lifeline Documentation. Bell Atlantic/GTE will provide a toll-free fax line for current and potential enhanced Lifeline plan customers to submit documentation associated with the enhanced Lifeline plan.

⁸⁸ These forms will be provided in English and such other languages as are prevalent in the applicable area served by Bell Atlantic/GTE.

⁸⁹ Bell Atlantic/GTE will endeavor to respond to inquiries made in non-English languages which are prevalent among residents in the areas served by Bell Atlantic/GTE.

h. Lifeline Message on Voice Response Units ("VRUs"). Where Bell Atlantic/GTE utilizes a VRU to answer customer calls into a service center, Bell Atlantic/GTE will, where it is technically possible to do so, include information about the enhanced Lifeline plan on the VRU menu after the customer indicates an interest in obtaining new service.

i. Upgrading Current Lifeline Customers. Where a state that already has a Lifeline plan determines to offer the enhanced Lifeline plan described in this Paragraph, and where the enhanced Lifeline plan offers a larger discount and in all other respects no worse terms and conditions to an existing Lifeline customer, Bell Atlantic/GTE shall switch qualifying customers (i.e., customers who have provided Bell Atlantic/GTE with sufficient verification that they participate in a qualifying program) to the enhanced Lifeline plan within 180 days of implementing the enhanced Lifeline plan.

j. Timing. The obligations contained in the above Subparagraphs shall not take effect until and unless the Enhanced Lifeline tariffs are accepted and approved by a state commission.

XIX. Additional Service Quality Reporting

51. Beginning no later than 180 days after the Merger Closing Date for the Bell Atlantic/GTE Service Area in all Bell Atlantic/GTE States, Bell Atlantic/GTE shall file with the Reporting Management Staff of the Commission for the public record, on a quarterly (i.e., January-March, April-June, etc.) basis, state-by-state service quality reports in accordance with the retail service quality reporting recommendations of the NARUC Technology Policy Subgroup "Service Quality White Paper" adopted November 11, 1998. Answer time performance may be reported on a multi-state basis in accordance with the consolidated handling of some calls by Bell Atlantic/GTE call centers. Each such quarterly report shall be filed no later than 50 days after the end of the quarter covered by the report. The first report filed for each state shall cover the most recent quarter that ended at least 50 days prior to the date the report is due. Categories of reporting for retail services include installation and maintenance, switch outages, transmission facility outages, service quality-related complaints, and answer time performance. Reports shall be filed for a period of 36 months following the date of Bell Atlantic/GTE's first report for that state. A copy of each report for a state shall be included on a Bell Atlantic/GTE Internet website or provided to the relevant state commission.⁹⁰

52. Bell Atlantic/GTE shall report on a quarterly basis ARMIS local service quality data required by the Commission separately for each of its operating companies. Bell Atlantic/GTE shall provide service quality data in accordance with Table 1 of ARMIS Report No. 43-05 on a quarterly basis. The service quality data required by this Paragraph shall be

⁹⁰ The web address containing a list of the reports and direct links to them must be provided to the Commission and to each state commission.

PROPOSED LIFELINE PLAN – KEY COMPONENTS**Subscriber Eligibility:**

Customers must be currently participating in one of the following programs to be eligible:

- Home Energy Assistance Plan (HEAP)
- State or Municipality Funded Energy Credit Program (ECP)
- Aid for Dependent Children (AFDC)
- Food Stamps
- Supplemental Security Income (SSI) on the basis of blindness, age or disability (federal program)
- State or Municipality Funded Disability Assistance
- Medicaid
- Federal Housing or Section 8 Assistance

Discounts:

- The monthly discount is equal to the price of basic residential measured rate service (i.e., access to the network not including any local usage) plus the Federal Subscriber Line Charge.
- The discount is capped at \$10.20 monthly, but no customer's charge can be reduced below zero.
- Toll restriction, call trace and automatic blocking of 900 and 976 calls is provided free.
- Service Connection charges over \$5 are waived.
- Deposits are waived for local service. May be required for toll service if customer does not select toll restriction.

Eligible Services:

- Residence Flat Rate, Measured Rate and Message Rate Services, and Toll Service
- No optional services (e.g., Wire Maintenance Plans, Toll Plans or other vertical services) unless medically necessary.
- Restricted to households with a single access line.

Operational Characteristics:

- **Past Due Bills** – Initial payment not to exceed \$25 on local service with the balance to be paid in 6 equal monthly installment payments. Toll restriction is required for customers with past due bills for toll service until outstanding charges have been paid in full.
- **Verification of Eligibility** – Customers self-verify, company has right to audit.
- **On-Line Verification of Eligibility** – Will make available where on-line access can be negotiated with state agencies.
- **Publicity** – Company will spend \$27,000 annually
- **Business Office Access** – Company will provide a toll-free telephone number and fax numbers for new lifeline inquiries and receipt of new lifeline documentation; where technically possible will include information about new Lifeline on the Voice Response Unit menu.
- **Conversion of Existing Lifeline customers** – GTE will convert qualifying customers within 180 days of implementation of the new plan.

July 5, 2000

ATTACHMENT B

Donna Caton, Chief Clerk
Illinois Commerce Commission
527 East Capitol Avenue
P.O. Box 19280
Springfield, Illinois 62794



GTE Service
Corporation

1312 East Empire Street
Bloomington, IL 61701

Dear Ms. Caton:

98-0864

Pursuant to the conditions the FCC adopted in approving the Bell Atlantic Corp. ("BA")/GTE Corp. ("GTE") Merger ("the Merger Conditions")¹, GTE North Incorporated and GTE South Incorporated by this letter are offering to file a tariff for a new lifeline plan.

The tariff would be for a stand-alone new lifeline plan comparable to the Ohio USA lifeline plan set forth in Ameritech's Ohio Alternative Regulation Plan, Case No. 93-487-TP-ALT, as in effect on January 27, 2000, in the areas of subscriber eligibility, discounts and eligible services. The components of the stand-alone new lifeline plan are summarized in Attachment 1.

Under the FCC-approved merger condition, the Illinois Commerce Commission (Commission) is under no obligation to accept GTE North Incorporated's and GTE South Incorporated's offer, and the existing Lifeline Telephone Assistance Program tariffs remain effective unless the Commission chooses to accept this offer within 12 months of the date of this letter. However, if the Commission does choose to accept the offer, then the companies propose that a new stand-alone lifeline plan, subject to any required regulatory and legislative approvals, would replace the current Lifeline Telephone Assistance Program offering in Illinois during the period when the new lifeline plan remains in effect.

In that event, GTE North Incorporated and GTE South Incorporated, as required by the Merger Conditions, will offer the new lifeline plan for 36 months following the effective date of the initial tariff. The companies would apply for federal and, where available, state universal service funding for the plan. During the 36-month period, the companies would fund all other costs of the new lifeline plan. After 36 months, GTE North Incorporated and GTE South Incorporated plan to reinstate the previously effective Lifeline Telephone Assistance Program offering and withdraw the new lifeline plan then in effect.

We would appreciate a stamped copy of this letter from your office to acknowledge the receipt of this offer. Please contact Karen H. Boswell, at (309) 663-3491 with any questions regarding this matter.

Sincerely,

James R. Hargrave
Assistant Vice President-
Regulatory and Governmental Affairs

Attachment

RECEIVED
JUL 10 2000
FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, D.C. 20541

¹ Application of GTE Corporation, Transferor and Bell Atlantic Corporation, Transferee, Memorandum Opinion and Order, CC Docket No. 98-184, FCC 00-221 (rel. June 16, 2000)

ATTACHMENT C

Current Verizon Rates

	Current Benefits	Proposed Benefits	Verizon North - Area A	Verizon North - Area B	Verizon North - Flat Rate	Verizon South - Rate Gp 1	Verizon South - Rate Gp 2
Access Line			\$ 15.99	\$16.99	\$ 17.37	\$ 6.45	\$ 8.35
SLC			\$ 4.35	\$ 4.35	\$ 4.35		
CALC						\$ 8.33	\$ 8.33
EAS (if any)					\$ 4.65	\$1.25-\$7.05	\$1.25-\$7.05
Federal Contribution	\$ 6.10	\$ 6.10					
Illinois Contribution	\$ 1.50	\$ 1.50					
Fed. Match to Il. Cont.	\$ 0.75	\$ 0.75					
Verizon Contribution		\$ 1.23					
Fed. Match to Ver. Cont.		\$ 0.62					
	\$ 8.35	\$ 10.20	\$ 20.34	\$21.34	\$ 26.37	\$16.03-\$21.83	\$17.93-\$23.73